

CITY OF SPIRIT LAKE
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2012

CITY OF SPIRIT LAKE

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CITY OF SPIRIT LAKE

OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
Blain Andera	Mayor	December 31, 2013
Jerry Harbst	Council Member	December 31, 2015
Jeff Thee	Council Member	December 31, 2015
Kevin Bice	Council Member	December 31, 2015
Clyde Ihrke	Council Member	December 31, 2013
Steve Balm	Council Member	December 31, 2013
Mark Stevens	Clerk/Administrator/Treasurer	December 31, 2013
Earl Maahs	Attorney	December 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
Members of the City Council
City of Spirit Lake
Spirit Lake, IA 51360

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake as of June 30, 2012 and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2013 on our consideration of the City of Spirit Lake's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the eight years ended June 30, 2011 (which are not presented herein) and expressed unqualified opinions on the financial statements for the six years ended June 30, 2009 which were prepared in conformity with U.S. generally accepted accounting principles, and unqualified opinions on the financial statements for the two years ended June 30, 2011 which were prepared in conformity with an other comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Management's discussion and analysis and the budgetary comparison information on pages 4 through 11 and 30 through 32 are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Winter, Stave & Co., LLP

January 3, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Spirit Lake provides this management's discussion and analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 Financial Highlights

- The City's total cash basis net assets increased 9.59% or approximately \$480,500 from June 30, 2011 to June 30, 2012. Of this amount, the cash basis net assets of the governmental activities increased by approximately \$541,300 and the cash basis net assets of the business type activities decreased by approximately \$60,800.

Using This Annual Report

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The fund financial statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds, information on the City's debt and shows the receipts and disbursements of the governmental funds for the last nine years.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

Reporting The City's Financial Activities

Government-wide Financial Statements

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, the sanitary sewer system, and the solid waste department. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1. Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (a) the General Fund, (b) the Special Revenue Funds, such as Tax Increment Financing, (c) the Debt Service Fund, and (d) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements, and changes in cash balances.

2. Proprietary funds account for the City's Enterprise and for the Internal Service Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and solid waste funds, considered to be major funds of the City. The Internal Service Funds are used to account for the City's self-insurance and to account for reserves accumulated to fund future equipment purchases.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements, and changes in cash balances.

Reconciliations between the government-wide statement and the fund statements follow the fund financial statements.

Government-Wide Financial Analysis

The City's cash balance for governmental activities increased by \$541,247 for the year ended June 30, 2012. The following analysis focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets For the Year Ended June 30,			
	<u>2012</u>	<u>2011</u>	<u>Increase (Decrease)</u>
Receipts:			
Program receipts:			
Charges for services	\$ 94,542	\$ 94,219	\$ 323
Operating grants, contributions, and restricted interest	603,827	622,168	(18,341)
Capital grants, contributions, and restricted interest ..	48,142	26,669	21,473
General receipts:			
Property and other city taxes	2,201,868	2,145,893	55,975
Tax increment financing	2,464,146	2,415,385	48,761
Local option sales tax	884,333	769,733	114,600
Unrestricted investment earnings	10,874	18,607	(7,733)
Unrestricted miscellaneous	41,344	50,407	(9,063)
Bond and note proceeds	<u>7,459,804</u>	<u>6,668,597</u>	<u>791,207</u>
Total receipts	<u>13,808,880</u>	<u>12,811,678</u>	<u>997,202</u>
Disbursements:			
Public safety	1,108,979	1,014,111	94,868
Public works	977,989	865,894	112,095
Health and social services	31,916	31,666	250
Culture and recreation	574,086	512,333	61,753
Community and economic development	526,226	110,250	415,976
General government	369,082	355,613	13,469
Debt service	9,337,774	9,556,100	(218,326)
Capital projects	<u>928,559</u>	<u>626,106</u>	<u>302,453</u>
Total disbursements	<u>13,854,611</u>	<u>13,072,073</u>	<u>782,538</u>
Change in cash basis net assets before transfers	(45,731)	(260,395)	214,664
Net transfers	<u>586,978</u>	<u>596,132</u>	<u>(9,154)</u>
Change in cash basis net assets	541,247	335,737	205,510
Cash basis net assets - beginning of year	<u>2,192,378</u>	<u>1,856,641</u>	<u>335,737</u>
Cash basis net assets - end of year	<u>\$ 2,733,625</u>	<u>\$ 2,192,378</u>	<u>\$ 541,247</u>

The City's total receipts for governmental activities increased 7.78% or approximately \$997,200 from fiscal year 2011 to fiscal year 2012. The increase was primarily due to additional bond and note proceeds and an increase in local option sales tax.

The City's total disbursements for governmental activities increased 5.99% or approximately \$782,500 from fiscal year 2011 to fiscal year 2012. The increase was primarily due to an increase in community and economic development and capital projects disbursements which exceeded a decrease in debt service disbursements.

The City's cash balance for business type activities decreased by \$60,784 for the year ended June 30, 2012. The following analysis focuses on the changes in cash basis net assets of business type activities.

Changes in Cash Basis Net Assets
For the Year Ended June 30,

	<u>2012</u>	<u>2011</u>	Increase (Decrease)
Receipts:			
Program receipts:			
Charges for services:			
Water	\$1,863,222	\$1,738,819	\$ 124,403
Sewer	305,230	296,123	9,107
Solid waste	852,108	827,166	24,942
Operating grants, contributions and restricted interest	9,849	30,608	(20,759)
Capital grants, contributions, and restricted interest ..		1,821	(1,821)
General receipts:			
Unrestricted investment earnings	16,932	19,190	(2,258)
Bond and note proceeds	<u>3,229,347</u>	<u>202,111</u>	<u>3,027,236</u>
Total receipts	<u>6,276,688</u>	<u>3,115,838</u>	<u>3,160,850</u>
Disbursements:			
Water	4,611,363	1,580,098	3,031,265
Sewer	307,230	175,733	131,497
Solid waste	<u>831,901</u>	<u>679,922</u>	<u>151,979</u>
Total disbursements	<u>5,750,494</u>	<u>2,435,753</u>	<u>3,314,741</u>
Change in cash basis net assets before transfers	526,194	680,085	(153,891)
Net transfers	<u>(586,978)</u>	<u>(596,132)</u>	<u>9,154</u>
Change in cash basis net assets	(60,784)	83,953	(144,737)
Cash basis net assets - beginning of year	<u>2,817,329</u>	<u>2,733,376</u>	<u>83,953</u>
Cash basis net assets - end of year	<u>\$2,756,545</u>	<u>\$2,817,329</u>	<u>\$ (60,784)</u>

The City's total receipts for business type activities increased 101.44% or approximately \$3,160,800 from fiscal year 2011 to fiscal year 2012. The increase was primarily due an increase in bond and note proceeds.

The City's total disbursements for business type activities increased 136.09% or approximately \$3,314,700 from fiscal year 2011 to fiscal year 2012. The increase was primarily due to an increase in purchases of capital assets and an increase in debt service payments.

Individual Major Governmental Fund Analysis

Changes in Cash Balances - Governmental Funds For the Year Ended June 30,

	2012 <u>All Funds</u>	2011 <u>All Funds</u>
Receipts	\$ 6,347,186	\$ 6,141,790
Disbursements	<u>13,854,290</u>	<u>13,073,912</u>
Net	(7,507,104)	(6,932,122)
Other financing sources	<u>8,002,090</u>	<u>7,279,229</u>
Increase in cash balances	494,986	347,107
Cash balances - beginning of year	<u>2,063,453</u>	<u>1,716,346</u>
Cash balances - end of year	<u>\$ 2,558,439</u>	<u>\$ 2,063,453</u>

The governmental funds reported a combined cash balance of \$2,558,439 which was an increase of \$494,986 from the balance at June 30, 2011.

The general, tax increment financing, and nonmajor governmental funds showed modest decreases in cash balances. The debt service fund showed a modest increase in cash balances. The capital projects fund showed an increase in cash balances of \$730,679 due to operating transfers in and bond proceeds.

Individual Major Business Type Fund Analysis

Changes in Cash Balances - Proprietary Funds For the Year Ended June 30,

	2012 <u>Enterprise Funds</u>	2011 <u>Enterprise Funds</u>	2012 <u>Internal Service Funds</u>	2011 <u>Internal Service Funds</u>
Operating receipts	\$ 3,023,937	\$ 2,886,357	\$ 25,096	\$ 20,493
Operating disbursements	<u>1,884,634</u>	<u>1,922,269</u>	<u>25,717</u>	<u>18,126</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	1,139,303	964,088	(621)	2,367
Non-operating receipts (disbursements)	(616,777)	(286,517)	5,858	3,277
Net transfers	<u>(487,478)</u>	<u>(666,132)</u>	<u>(54,808)</u>	<u>55,500</u>
Increase (decrease) in cash balances	35,048	11,439	(49,571)	61,144
Cash balances - beginning of year	<u>2,187,312</u>	<u>2,175,873</u>	<u>758,942</u>	<u>697,798</u>
Cash balances - end of year	<u>\$ 2,222,360</u>	<u>\$ 2,187,312</u>	<u>\$ 709,371</u>	<u>\$ 758,942</u>

The enterprise funds reported a combined cash balance of \$2,222,360 which was an increase of \$35,048 over the balance at June 30, 2011. The sewer and solid waste funds reported decreases in cash of \$99,936 and \$207,979, respectively. The water fund reported an increase in cash of \$342,963.

Budgetary Highlights

During the year, the City amended the budget twice. The final amendment was approved on May 22, 2012. These amendments were primarily needed to budget additional debt service disbursements related to the prepayment of various bond issues. Other financing sources were also amended to reflect new bond issues primarily related to the called bonds. Total disbursements for the year did not exceed the final budgeted amounts.

Debt Administration

At June 30, 2012, the City had \$33,058,000 of outstanding bonds and notes, compared to \$33,095,000 last year as detailed below:

	Outstanding Debt at Year-End	
	June 30, <u>2012</u>	<u>2011</u>
General obligation bonds and notes	\$16,833,000	\$16,487,000
General obligation annual appropriation bonds	13,750,000	14,280,000
Water revenue capital loan notes	<u>2,475,000</u>	<u>2,328,000</u>
Total	<u>\$33,058,000</u>	<u>\$33,095,000</u>

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. A computation of the City's available debt capacity is as follows;

Constitutional debt limit		\$23,212,771
General obligation bonds and notes	\$16,833,000	
Principal and interest due within the next fiscal year on general obligation annual appropriation bonds	<u>1,316,401</u>	
Total subject to constitutional debt limitation		<u>18,149,401</u>
Available debt capacity		<u>\$ 5,063,370</u>
Percentage of debt limit available		<u>21.81%</u>

The City issued \$8,018,000 of general obligation bonds and notes during the year ended June 30, 2012. \$6,300,000 of the new debt was used to refund two old bond issues, and \$1,718,000 was used for various capital projects including Point of Pines II and the water pre-ozone improvements projects.

The City also issued \$2,675,000 of water revenue capital loan notes which refunded the 2003 water revenue capital loan notes.

Economic Factors Bearing on the City's Future

Economic conditions are improving within the City of Spirit and surrounding areas, with a positive effect on the City's financial condition. Conservative budgetary management practices also contributed to an improved financial outcome in fiscal year 2012.

Over the past three years, we refinanced debt to reduce interest costs and have lowered certain personnel costs. We have also been cautious in taking on new on-going obligations. Funding increased for street repairs, storm water improvements, and city building improvements.

The City decreased its General Fund ending cash balance in fiscal year 2012 by 3% to \$1,060,415. The General Fund ending balances represent 41% of disbursements, compared to our goal of at least 25% of expenditures. These strong fund balances allow us to address outstanding needs and limit new debt, although we will remain cautious about spending patterns. In fiscal year 2013, we've budgeted to use a small part of these balances but will stay well above the 25% level.

The decrease in General Fund balances was due to a loan to a development corporation for the purchase of property for a new industrial park. Also, in fiscal year 2012, the City issued \$6,300,000 in General Obligation Capital Loan Refunding Notes and \$2,675,000 in Water Revenue Notes. These debt issues refinanced existing debt. The maturities were not extended and the resulting net debt service was reduced. Interest savings from the combined refinancing is \$767,712 for the City's Water Fund over the next 16 years.

The City's overall debt continues to be a problem. Residential development agreements from the pre-2007 era continue to limit our ability to aggressively reduce debt levels. While these are gradually being disposed of through execution and financing, we still have two yet to be fulfilled. These two agreements are estimated to cost about \$3.5 million. The City does not need any additional development areas at this time and will defer the existing agreement obligations as long as possible. The City also issued \$1,615,000 in bonds to provide \$1,025,000 for an urban renewal project and \$590,000 for water plant equipment.

Net long-term general obligation debt was reduced by \$1,576,899 in fiscal year 2011, and \$184,000 in fiscal year 2012. We expect a further reduction in fiscal year 2013. In early fiscal year 2013, the City refinanced three additional outstanding bonds with two new issues, saving an additional \$1.8 million in future interest costs for urban renewal purposes. A new urban renewal bond issue of \$1,150,000 was also completed. The City maintained its Standard & Poor's debt rating of "A" with a stable outlook.

The City continues to experience annual increases in taxable valuation which increases debt capacity and allows property tax receipts to increase with the tax levy rate held steady at \$10.54 per thousand taxable valuation. This tax rate was approved for fiscal year 2013 for the fifth straight year. City Administration believes that the current levy rate can continue through fiscal year 2014 and the City will be able to maintain current services without affecting our financial condition.

Economic activity is improving. Sales tax revenue is increasing to historic highs, building permits are increasing, and major employers are hiring. Examples of new development include Furniture Mart expansion and remodeling of their store and an \$11.5 million expansion of Polaris Industries with 79 new jobs. Fed Ex Ground is expanding and relocating to the new industrial park. Lakes Regional Healthcare has a \$20 million expansion underway. Residential construction is continuing its moderate pace of the past two years, and the City's population continues to grow.

The City has completed work on the first phase of the Pointe of Pines 2nd Addition residential development. This is one of the development agreements referenced earlier. This phase is for 17 lots and related infrastructure; later phases will develop another 35 lots.

Other significant actions that occurred in fiscal year 2012 include annexation of 5 areas, totaling approximately 157 acres into the City, the acquisition of 130 acres by the Spirit Lake Development Corp. and Iowa Lakes Electric Cooperative for a new industrial park, and the replacement of an old water main serving the southeast part of the City.

In November of 2011, a proposed bond issue referendum to replace city hall was defeated. The Council has scaled back the building plan and developed a revised finance plan; another referendum is likely in 2013. This project is approximately \$1.4 million. The City is completing a major street reconstruction and park improvement project that began in late fiscal year 2012. This project was financed in part through \$1,150,000 in general obligation debt, issued in fiscal year 2013.

Internally, the City's workforce has remained steady; health insurance premium increases have been substantially lower than projected; and mild weather has reduced maintenance costs. Equipment replacement occurs on schedule with current funding.

Looking ahead, the development of the industrial park will start in the spring of 2013 and continue for several years. The City is sharing development expense with the local electric cooperative on a 1/3 city, 2/3 cooperative basis. It is hoped that work will commence on a new City Hall in fiscal year 2014, subject to approval in the referendum.

In summary, the City of Spirit Lake is in good financial condition and the outlook is positive. Continued moderate growth in population and taxable valuation provide the resources to see improvement in services. High debt levels limit the City's flexibility.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Hall, 1803 Hill Avenue, Spirit Lake, Iowa 51360.

BASIC FINANCIAL STATEMENTS

CITY OF SPIRIT LAKE
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Program Receipts Operating Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:			
Governmental activities:			
Public safety	\$1,108,979	\$ 84,053	\$ 55,238
Public works	977,989		459,115
Health and social services	31,916		
Culture and recreation	574,086	7,017	52,495
Community and economic development	526,226		36,626
General government	369,082	2,332	
Debt service	9,337,774	1,140	353
Capital projects	928,559		
Total governmental activities	<u>13,854,611</u>	<u>94,542</u>	<u>603,827</u>
Business type activities:			
Water	4,611,363	1,863,222	8,059
Sewer	307,230	305,230	64
Solid waste	831,901	852,108	1,726
Total business type activities	<u>5,750,494</u>	<u>3,020,560</u>	<u>9,849</u>
TOTAL	<u>\$19,605,105</u>	<u>\$3,115,102</u>	<u>\$ 613,676</u>
General Receipts:			
Property and other city taxes levied for:			
General purposes			
Debt service			
Tax increment financing			
Local option sales tax			
Unrestricted investment earnings			
Unrestricted miscellaneous			
Bond and note proceeds - net of discounts and initiation fee of \$95,149 ..			
Good faith deposit on bond issued after June 30, 2012			
Operating transfers			
Total general receipts and transfers			
CHANGE IN CASH BASIS NET ASSETS			
CASH BASIS NET ASSETS - BEGINNING OF YEAR			
CASH BASIS NET ASSETS - END OF YEAR			
CASH BASIS NET ASSETS:			
Restricted, expendable for:			
Urban renewal purposes			
Debt service			
Capital projects			
Streets			
Other purposes			
Unrestricted			
TOTAL CASH BASIS NET ASSETS			

See Notes to Financial Statements

<u>Capital Grants, Contributions, and Restricted Interest</u>	<u>Net (Disbursements) Receipts and Changes in Cash Basis Net Assets</u>		
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
	\$ (969,688)		\$ (969,688)
	(518,874)		(518,874)
	(31,916)		(31,916)
\$ 142	(514,432)		(514,432)
	(489,600)		(489,600)
	(366,750)		(366,750)
	(9,336,281)		(9,336,281)
<u>48,000</u>	<u>(880,559)</u>		<u>(880,559)</u>
<u>48,142</u>	<u>(13,108,100)</u>		<u>(13,108,100)</u>
		\$(2,740,082)	(2,740,082)
		(1,936)	(1,936)
		21,933	21,933
		<u>(2,720,085)</u>	<u>(2,720,085)</u>
<u>\$ 48,142</u>	<u>(13,108,100)</u>	<u>(2,720,085)</u>	<u>(15,828,185)</u>
	2,171,156		2,171,156
	30,712		30,712
	2,464,146		2,464,146
	884,333		884,333
	10,874	16,932	27,806
	41,344		41,344
	7,368,504	3,229,347	10,597,851
	91,300		91,300
	<u>586,978</u>	<u>(586,978)</u>	
	<u>13,649,347</u>	<u>2,659,301</u>	<u>16,308,648</u>
	541,247	(60,784)	480,463
	<u>2,192,378</u>	<u>2,817,329</u>	<u>5,009,707</u>
	<u>\$ 2,733,625</u>	<u>\$ 2,756,545</u>	<u>\$ 5,490,170</u>
	\$ 520,137		\$ 520,137
	98,010	\$ 298,336	396,346
	590,786		590,786
	97,341		97,341
	191,750	22,504	214,254
	<u>1,235,601</u>	<u>2,435,705</u>	<u>3,671,306</u>
	<u>\$ 2,733,625</u>	<u>\$ 2,756,545</u>	<u>\$ 5,490,170</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	<u>General</u>	<u>Tax Increment Financing</u>	<u>Debt Service</u>
RECEIPTS:			
Property tax	\$1,579,196		\$ 30,091
Tax increment financing		\$2,464,146	
Other city taxes	1,073,421		621
Licenses and permits	30,701		
Use of money and property	5,961	3,367	1,492
Intergovernmental	91,670		
Charges for service	18,160		
Miscellaneous	119,285		
TOTAL RECEIPTS	<u>2,918,394</u>	<u>2,467,513</u>	<u>32,204</u>
DISBURSEMENTS:			
Public safety	912,851		
Public works	349,196		
Health and social services	31,916		
Culture and recreation	473,122		
Community and economic development	516,128	10,098	
General government	293,974		
Debt service			9,337,774
Capital projects			
TOTAL DISBURSEMENTS	<u>2,577,187</u>	<u>10,098</u>	<u>9,337,774</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>341,207</u>	<u>2,457,415</u>	<u>(9,305,570)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfers in	41,949		2,986,565
Operating transfers out	(415,968)	(2,585,754)	
Bond proceeds - net of discounts and initiation fee of \$59,496			6,238,929
Good faith deposit on bond issued after June 30, 2012 ..			91,300
TOTAL OTHER FINANCING SOURCES (USES)	<u>(374,019)</u>	<u>(2,585,754)</u>	<u>9,316,794</u>
NET CHANGE IN CASH BALANCES	(32,812)	(128,339)	11,224
CASH BALANCES - BEGINNING OF YEAR	<u>1,093,227</u>	<u>648,476</u>	<u>86,786</u>
CASH BALANCES - END OF YEAR	<u>\$1,060,415</u>	<u>\$ 520,137</u>	<u>\$ 98,010</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Urban renewal purposes		\$ 520,137	
Debt service			\$ 98,010
Capital projects			
Streets			
Employee benefits			
Police purposes			
Library purposes			
Committed for economic development	\$ 162,988		
Assigned for park development	29,481		
Unassigned	867,946		
TOTAL CASH BASIS FUND BALANCES	<u>\$1,060,415</u>	<u>\$ 520,137</u>	<u>\$ 98,010</u>

See Notes to Financial Statements

Exhibit B

<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>	<u>Total</u>
	\$ 390,022	\$ 1,999,309
		2,464,146
	12,850	1,086,892
		30,701
\$ 1,307	677	12,804
48,000	461,892	601,562
		18,160
	<u>14,327</u>	<u>133,612</u>
<u>49,307</u>	<u>879,768</u>	<u>6,347,186</u>
	196,062	1,108,913
	628,766	977,962
		31,916
	100,394	573,516
		526,226
	75,450	369,424
		9,337,774
<u>928,559</u>		<u>928,559</u>
<u>928,559</u>	<u>1,000,672</u>	<u>13,854,290</u>
<u>(879,252)</u>	<u>(120,904)</u>	<u>(7,507,104)</u>
480,825	35,138	3,544,477
(469)		(3,002,191)
1,129,575		7,368,504
		91,300
<u>1,609,931</u>	<u>35,138</u>	<u>8,002,090</u>
730,679	(85,766)	494,986
<u>(139,893)</u>	<u>374,857</u>	<u>2,063,453</u>
<u>\$ 590,786</u>	<u>\$ 289,091</u>	<u>\$ 2,558,439</u>
		\$ 520,137
		98,010
\$ 590,786		590,786
	\$ 97,341	97,341
	56,396	56,396
	6,269	6,269
	129,085	129,085
		162,988
		29,481
		<u>867,946</u>
<u>\$ 590,786</u>	<u>\$ 289,091</u>	<u>\$ 2,558,439</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND
 NET ASSETS - GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

TOTAL GOVERNMENTAL FUNDS CASH BALANCES PER EXHIBIT B \$2,558,439

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the internal service funds is included in governmental activities in the Statement of Activities and Net Assets. 175,186

CASH BASIS NET ASSETS OF GOVERNMENTAL ACTIVITIES PER EXHIBIT A \$2,733,625

NET CHANGE IN CASH BALANCES PER EXHIBIT B \$ 494,986

AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the change in net assets of the internal service funds is included in governmental activities in the Statement of Activities and Net Assets. 46,261

CHANGE IN CASH BASIS NET ASSETS OF GOVERNMENTAL
 ACTIVITIES PER EXHIBIT A \$ 541,247

CITY OF SPIRIT LAKE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND
CHANGES IN CASH BALANCES - PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Funds			
	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
OPERATING RECEIPTS:				
Charges for services	\$1,862,897	\$305,199	\$851,992	\$3,020,088
Charges to operating funds				
Miscellaneous	<u>2,059</u>	<u>64</u>	<u>1,726</u>	<u>3,849</u>
TOTAL OPERATING RECEIPTS	<u>1,864,956</u>	<u>305,263</u>	<u>853,718</u>	<u>3,023,937</u>
OPERATING DISBURSEMENTS:				
Business type activities:				
Cost of sales and services	1,064,548	137,388	682,698	1,884,634
Claims and administrative charges	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER (UNDER)				
OPERATING DISBURSEMENTS	<u>800,408</u>	<u>167,875</u>	<u>171,020</u>	<u>1,139,303</u>
NON-OPERATING RECEIPTS (DISBURSEMENTS):				
Interest on investments	7,052	1,698	3,590	12,340
Lease income	6,000			6,000
Purchase of capital assets	(931,722)	(169,834)	(149,500)	(1,251,056)
Bond and note proceeds - net of discounts of \$35,653	3,229,347			3,229,347
Debt service payments:				
Revenue note principal	(2,528,000)			(2,528,000)
Revenue note interest	(68,974)			(68,974)
Legal and other bond costs	<u>(16,434)</u>	<u> </u>	<u> </u>	<u>(16,434)</u>
TOTAL NON-OPERATING RECEIPTS (DISBURSEMENTS)	<u>(302,731)</u>	<u>(168,136)</u>	<u>(145,910)</u>	<u>(616,777)</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	497,677	(261)	25,110	522,526
OPERATING TRANSFERS IN			307,491	307,491
OPERATING TRANSFERS OUT	<u>(154,714)</u>	<u>(99,675)</u>	<u>(540,580)</u>	<u>(794,969)</u>
NET CHANGE IN CASH BALANCES	342,963	(99,936)	(207,979)	35,048
CASH BALANCES - BEGINNING OF YEAR	<u>913,121</u>	<u>505,050</u>	<u>769,141</u>	<u>2,187,312</u>
CASH BALANCES - END OF YEAR	<u>\$1,256,084</u>	<u>\$405,114</u>	<u>\$561,162</u>	<u>\$2,222,360</u>
CASH BASIS FUND BALANCES:				
Restricted, expendable for:				
Revenue note retirement	\$ 298,336			\$ 298,336
Water deposits	22,504			22,504
Unrestricted	<u>935,244</u>	<u>\$405,114</u>	<u>\$561,162</u>	<u>1,901,520</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$1,256,084</u>	<u>\$405,114</u>	<u>\$561,162</u>	<u>\$2,222,360</u>

See Notes to Financial Statements

Exhibit D

<u>Internal Service Funds</u>		
<u>Self-Insurance</u>	<u>Equipment Revolving</u>	<u>Total</u>
\$ 24,000		\$ 24,000
<u>1,096</u>	<u> </u>	<u>1,096</u>
25,096		25,096
<u>25,717</u>	<u> </u>	<u>25,717</u>
<u>(621)</u>	<u> </u>	<u>(621)</u>
459	\$ 5,399	5,858
<u>459</u>	<u>5,399</u>	<u>5,858</u>
(162)	5,399	5,237
 	94,692	94,692
<u> </u>	<u>(149,500)</u>	<u>(149,500)</u>
(162)	(49,409)	(49,571)
<u>93,699</u>	<u>665,243</u>	<u>758,942</u>
<u>\$ 93,537</u>	<u>\$615,834</u>	<u>\$709,371</u>
<u>\$ 93,537</u>	<u>\$615,834</u>	<u>\$709,371</u>
<u>\$ 93,537</u>	<u>\$615,834</u>	<u>\$709,371</u>

See Notes to Financial Statements

CITY OF SPIRIT LAKE
 RECONCILIATION OF THE STATEMENT OF CASH RECEIPTS, DISBURSEMENTS,
 AND CHANGES IN CASH BALANCES TO THE STATEMENT OF ACTIVITIES AND
 NET ASSETS - PROPRIETARY FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

TOTAL ENTERPRISE FUNDS CASH BALANCES PER EXHIBIT D \$2,222,360

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the assets of the internal service funds are included in business type activities in the Statement of Activities and Net Assets. 534,185

CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES PER EXHIBIT A \$2,756,545

NET CHANGE IN CASH BALANCES - ENTERPRISE FUNDS PER EXHIBIT D . \$ 35,048

AMOUNTS REPORTED FOR BUSINESS TYPE ACTIVITIES IN THE
 STATEMENT OF ACTIVITIES AND NET ASSETS ARE DIFFERENT BECAUSE:

The internal service funds are used by the City to charge the cost of partial self funding the City's health insurance benefit plan to the individual funds and to fund future equipment purchases. A portion of the change in net assets of the internal service funds are included in business type activities in the Statement of Activities and Net Assets. (95,832)

CHANGE IN CASH BASIS NET ASSETS OF BUSINESS TYPE ACTIVITIES
 PER EXHIBIT A \$ (60,784)

CITY OF SPIRIT LAKE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Spirit Lake, Iowa is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1879 and operates under the Home Rule provisions of the constitution of Iowa. The City operates under the Mayor-Council-Clerk/Administrator form of government with the Mayor and Council Members elected on a non-partisan basis. The City of Spirit Lake provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. It also operates the water, sewer, and solid waste utilities.

A. Reporting Entity

For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. It was determined that the City has no component units.

Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets - Cash Basis reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

Net assets are reported in two categories:

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets - Cash Basis demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges, and the capital improvement costs not paid from other funds.

Special Revenue:

The Tax Increment Financing Fund is used to account for receipts from the tax authorized by ordinance in the urban renewal district and used to pay the principal and interest on the general obligation bonds and notes and other indebtedness incurred for urban renewal redevelopment projects.

The Debt Service Fund is used to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

Enterprise:

The Water Fund is used to account for the operation and maintenance of the City's water system.

The Sewer Fund is used to account for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Solid Waste Fund is used to account for the operation and maintenance of the City's solid waste collection activities.

Additionally, the City reports the following proprietary funds:

The Internal Service Funds are utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City of Spirit Lake maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed - Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purposes unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned - Amounts the Council intends to use for specific purposes.

Unassigned - All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

F. Subsequent Events

Subsequent events were evaluated by management for disclosure up to the date of the auditors' report, which is the date the financial statements were available to be issued.

2. CASH AND INVESTMENTS

The City's demand deposits, savings accounts, and certificates of deposit at June 30, 2012 were entirely covered by Federal depository insurance or by a multiple financial institution collateral pool in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City's cash and investments consisted of the following at June 30, 2012:

Cash on hand	\$ 1,118
Demand deposits	91,452
Certificates of deposit/savings accounts	<u>5,397,600</u>
	<u>\$5,490,170</u>

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

3. DUE FROM SPIRIT LAKE DEVELOPMENT CORPORATION

During the year, the City loaned the Spirit Lake Development Corporation \$325,000 to purchase land for future economic development. The loan is interest-free and is payable as the land is sold. No repayments were received during the year ended June 30, 2012.

4. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for the City's long-term debt are as follows:

Year Ending June 30,	<u>Governmental Activities</u>			<u>Business-Type Activities</u>		
	<u>General Obligation Bonds/Notes</u>			<u>General Obligation Bonds/Notes</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,349,000	\$ 865,004	\$ 2,214,004	\$ 465,000	\$ 126,673	\$ 591,673
2014	1,454,000	823,884	2,277,884	425,000	123,850	548,850
2015	1,735,000	782,886	2,517,886	455,000	120,787	575,787
2016	1,755,000	727,264	2,482,264	455,000	116,957	571,957
2017	1,910,000	668,701	2,578,701	460,000	112,215	572,215
2018-2022	9,565,000	2,317,089	11,882,089	2,340,000	458,543	2,798,543
2023-2027	5,695,000	589,876	6,284,876	2,245,000	197,075	2,442,075
2028				<u>275,000</u>	<u>7,425</u>	<u>282,425</u>
Total	<u>\$23,463,000</u>	<u>\$6,774,704</u>	<u>\$30,237,704</u>	<u>\$7,120,000</u>	<u>\$1,263,525</u>	<u>\$8,383,525</u>

4. BONDS AND NOTES PAYABLE - Continued

Business-Type Activities

Year Ending June 30,	Water Revenue Capital Loan Notes			Total Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 215,000	\$ 34,180	\$ 249,180	\$ 680,000	\$ 160,853	\$ 840,853
2014	210,000	33,105	243,105	635,000	156,955	791,955
2015	245,000	32,055	277,055	700,000	152,842	852,842
2016	215,000	29,605	244,605	670,000	146,562	816,562
2017	215,000	27,455	242,455	675,000	139,670	814,670
2018-2022	1,135,000	90,435	1,225,435	3,475,000	548,978	4,023,978
2023-2027	240,000	5,280	245,280	2,485,000	202,355	2,687,355
2028				275,000	7,425	282,425
Total	<u>\$ 2,475,000</u>	<u>\$ 252,115</u>	<u>\$2,727,115</u>	<u>\$9,595,000</u>	<u>\$1,515,640</u>	<u>\$11,110,640</u>

General Obligation Bonds/Notes

General obligation bonds/notes to be serviced by the Debt Service Fund totaled \$30,583,000 at June 30, 2012.

The general obligation bonds reported under business type activities were issued to pay for water and sewer projects. They are anticipated to be repaid by those enterprise funds. In addition, a majority of the other general obligation bonds are anticipated to be repaid from tax increment financing revenues, local option sales tax funds, and general fund receipts. In compliance with statutory requirements, any payments from other funds are recorded as reimbursements to the Debt Service Fund in the City's accounting records. General obligation bonds/notes bear interest with rates ranging from .40% to 4.75%.

Revenue Notes

The City has pledged future water customer revenues, net of specific operating expenses, to repay the \$2,675,000 water revenue refunding capital loan notes issued in May 2012. The proceeds from the notes refunded water revenue capital loan notes issued in May 2003 which provided financing for a water plant addition. The notes are payable solely from water customer net revenues and are payable through 2023. Annual principal and interest payments are expected to require less than 35% of net revenues. Total principal and interest remaining to be paid on the notes are \$2,727,115. For the current year, principal and interest paid and total customer net revenues were \$200,880 and \$800,408, respectively. The notes bear interest with rates ranging from .50% to 2.20%.

The resolution providing for the issuance of the water revenue refunding capital loan notes include the following provisions:

- (A) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (B) Sufficient monthly transfers shall be made into a separate water revenue sinking fund for the purpose of making the principal and interest payments when due.
- (C) Additional monthly transfers shall be made to a separate water reserve fund until a specific minimum balance has been accumulated. This fund is restricted for the purposes of paying principal and interest payments when insufficient money is available in the sinking fund. The City has fully funded this reserve.

- (D) User rates shall be established at a level which produces and maintains net revenues at a level not less than 125% of the amount of principal and interest on the note falling due in the same year.

During the year ended June 30, 2012, the City was in compliance with the revenue note resolution.

5. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2012 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>	<u>Purpose</u>
General	Special Revenue: Tax Increment Financing	\$ 14,049	Urban renewal incentive program
	Proprietary: Enterprise: Water	1,740	Shield transfer
	Sewer	290	Shield transfer
	Solid Waste	870	Shield transfer
	Solid Waste	<u>25,000</u>	Excess funds per resolution
		<u>41,949</u>	
Debt Service:	General	370,023	Debt payments
	Special Revenue: Tax increment financing	2,413,714	Debt payments
	Capital Projects	469	Bond costs
	Proprietary: Enterprise: Water	152,974	Debt payments
	Sewer	<u>49,385</u>	Debt payments
		<u>2,986,565</u>	
Capital Projects	General	10,807	
	Proprietary: Enterprise: Solid Waste	400,000	Interfund loan
	Solid Waste	<u>70,018</u>	Excess funds per resolution
		<u>480,825</u>	
Proprietary: Enterprise: Solid Waste	Special Revenue: Tax increment financing	157,991	Repay interfund loan and interest
	Proprietary: Internal service: Equipment Revolving	<u>149,500</u>	Purchase garbage truck
		<u>307,491</u>	
Internal Service: Equipment Revolving	Proprietary: Enterprise: Sewer	50,000	Budgeted transfer
	Solid waste	<u>44,692</u>	Excess funds per resolution
		<u>94,692</u>	
Nonmajor Governmental Funds: Employee benefits	General	<u>35,138</u>	Property tax relief
TOTAL OPERATING TRANSFERS		<u>\$3,946,660</u>	

6. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 5.38% of their annual covered salary and the City is required to contribute 8.07% of annual covered salaries. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011, and 2010 were \$161,802, \$142,307, and \$142,832, respectively, equal to the required contributions for each year.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The City operates a single-employer benefit plan which provides medical, dental, and prescription drug benefits to active and retired employees and their eligible dependents. There are 40 active and 2 retired members in the plan. Participants must be age 55 or older at retirement.

The medical, dental, and prescription drug benefits are provided through an insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy

The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are approximately \$427 for single coverage and \$985 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$253,896 and plan members eligible for benefits contributed \$45,471 to the plan.

8. COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement, or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation payable to employees at June 30, 2012 is as follows:

Governmental activities:	
General fund	<u>\$ 63,123</u>
Business type activities:	
Proprietary:	
Enterprise:	
Water	19,493
Sewer	2,233
Solid waste	<u>6,181</u>
Total business type activities	<u>27,907</u>
TOTAL	<u>\$ 91,030</u>

This liability has been computed based on rates of pay in effect at June 30, 2012.

9. INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$1,000,000 of industrial development revenue bonds, of which \$301,183 is outstanding at June 30, 2012. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

10. COMMITMENTS

The City has entered into contracts for street, storm sewer, water, park, and sewer rehabilitation projects. A summary of the projects is as follows:

Contracts total	\$3,593,345
Paid as of June 30, 2012	<u>1,604,953</u>
Balance to be paid	<u>\$1,988,392</u>

The City has committed funds to several nonprofit organizations, including \$100,000 per year for three more years and \$50,000 in 2016 for the construction of the YMCA. No contracts have been signed. The City will report the expenditures in the year payments are made.

11. SUBSEQUENT EVENTS

Subsequent to June 30, 2012, the City issued \$14,010,000 of general obligation annual appropriation refunding bonds which refunded three bond issues. In addition, the City issued \$1,150,000 of general obligation bonds to fund two capital projects.

12. RISK MANAGEMENT

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 663 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 150 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's annual contributions to the Pool for the year ended June 30, 2012 were \$109,837.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim. For members requiring specific coverage from \$3,000,000 to \$12,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2012, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions. However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The City has established a partial self-insurance health insurance fund (an internal service fund) to account for group insurance risks. The City has agreed to pay a portion of the employees' deductible.

The City has workmen's compensation coverage through the Iowa Municipalities Workers' Compensation Association. In addition, the City purchases employee blanket bond coverage from other insurers. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

OTHER INFORMATION

CITY OF SPIRIT LAKE
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CHANGES IN BALANCES - BUDGET AND ACTUAL (CASH BASIS) -
ALL GOVERNMENTAL AND PROPRIETARY FUNDS
OTHER INFORMATION
FOR THE YEAR ENDED JUNE 30, 2012

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Total <u>Actual</u>
RECEIPTS:			
Property taxes	\$ 1,999,309		\$1,999,309
Other city taxes	1,086,892		1,086,892
Tax increment financing revenues	2,464,146		2,464,146
Licenses and permits	30,701		30,701
Use of money and property	12,804	\$ 24,198	37,002
Intergovernmental	601,562		601,562
Charges for services	18,160	3,044,088	3,062,248
Miscellaneous	<u>133,612</u>	<u>4,945</u>	<u>138,557</u>
TOTAL RECEIPTS	<u>6,347,186</u>	<u>3,073,231</u>	<u>9,420,417</u>
DISBURSEMENTS:			
Public safety	1,108,913		1,108,913
Public works	977,962		977,962
Health and social services	31,916		31,916
Culture and recreation	573,516		573,516
Community and economic development	526,226		526,226
General government	369,424		369,424
Debt service	9,337,774		9,337,774
Capital projects	928,559		928,559
Business type		<u>5,774,815</u>	<u>5,774,815</u>
TOTAL DISBURSEMENTS	<u>13,854,290</u>	<u>5,774,815</u>	<u>19,629,105</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(7,507,104)</u>	<u>(2,701,584)</u>	<u>(10,208,688)</u>
OTHER FINANCING SOURCES (USES):			
Operating transfer in	3,544,477	402,183	3,946,660
Operating transfer out	(3,002,191)	(944,469)	(3,946,660)
Bond and note proceeds - net	7,368,504	3,229,347	10,597,851
Good faith deposit	<u>91,300</u>		<u>91,300</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>8,002,090</u>	<u>2,687,061</u>	<u>10,689,151</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES (USES) OVER (UNDER) DISBURSEMENTS	494,986	(14,523)	480,463
BALANCE - BEGINNING OF YEAR	<u>2,063,453</u>	<u>2,946,254</u>	<u>5,009,707</u>
BALANCE - END OF YEAR	<u>\$ 2,558,439</u>	<u>\$2,931,731</u>	<u>\$ 5,490,170</u>

Less Funds Not Required to be <u>Budgeted</u>	<u>Net Actual</u>	<u>Original Budget</u>	<u>Final Budget</u>	<u>Final to Actual Variance</u>
	\$ 1,999,309	\$ 1,986,575	\$ 1,986,575	\$ 12,734
	1,086,892	970,662	970,662	116,230
	2,464,146	2,415,656	2,415,656	48,490
	30,701	29,200	32,200	(1,499)
\$ 5,858	31,144	54,500	54,500	(23,356)
	601,562	480,400	672,717	(71,155)
24,000	3,038,248	3,181,000	3,195,000	(156,752)
1,096	137,461	101,200	177,200	(39,739)
<u>30,954</u>	<u>9,389,463</u>	<u>9,219,193</u>	<u>9,504,510</u>	<u>(115,047)</u>
	1,108,913	1,123,388	1,161,980	53,067
	977,962	926,622	1,145,615	167,653
	31,916	34,300	34,300	2,384
	573,516	654,598	658,880	85,364
	526,226	305,721	609,721	83,495
	369,424	405,026	412,840	43,416
	9,337,774	3,062,772	23,425,378	14,087,604
	928,559	1,440,000	1,716,000	787,441
<u>25,717</u>	<u>5,749,098</u>	<u>3,314,110</u>	<u>6,409,502</u>	<u>660,404</u>
<u>25,717</u>	<u>19,603,388</u>	<u>11,266,537</u>	<u>35,574,216</u>	<u>15,970,828</u>
<u>5,237</u>	<u>(10,213,925)</u>	<u>(2,047,344)</u>	<u>(26,069,706)</u>	<u>15,855,781</u>
94,692	3,851,968	4,172,305	4,557,693	(705,725)
(149,500)	(3,797,160)	(4,172,305)	(4,557,693)	760,533
	10,597,851	1,570,000	25,781,400	(15,183,549)
	91,300			91,300
<u>(54,808)</u>	<u>10,743,959</u>	<u>1,570,000</u>	<u>25,781,400</u>	<u>(15,037,441)</u>
(49,571)	530,034	(477,344)	(288,306)	818,340
<u>758,942</u>	<u>4,250,765</u>	<u>4,568,531</u>	<u>5,012,677</u>	<u>(761,912)</u>
<u>\$709,371</u>	<u>\$ 4,780,799</u>	<u>\$ 4,091,187</u>	<u>\$ 4,724,371</u>	<u>\$ 56,428</u>

CITY OF SPIRIT LAKE
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING
FOR THE YEAR ENDED JUNE 30, 2012

The budgetary comparison is presented as Other Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$24,307,679. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2012, disbursements did not exceed the amounts budgeted.

SUPPLEMENTARY INFORMATION

CITY OF SPIRIT LAKE
 COMBINING SCHEDULE OF RECEIPTS, DISBURSEMENTS, AND
 CHANGES IN CASH BALANCES
 ALL NONMAJOR GOVERNMENTAL FUNDS
 AS OF AND FOR THE YEAR ENDED JUNE 30, 2012

	Road Use Tax	Employee Benefits	Police Forfeiture	Friends of the Library	Total
RECEIPTS:					
Property tax		\$390,022			\$ 390,022
Other city taxes		12,850			12,850
Use of money and property		23		\$ 654	677
Intergovernmental	\$459,115			2,777	461,892
Miscellaneous		1,643	\$ 401	12,283	14,327
TOTAL RECEIPTS	<u>459,115</u>	<u>404,538</u>	<u>401</u>	<u>15,714</u>	<u>879,768</u>
DISBURSEMENTS:					
Public safety		188,468	7,594		196,062
Public works	555,489	73,277			628,766
Culture and recreation		79,304		21,090	100,394
General government		75,450			75,450
TOTAL DISBURSEMENTS	<u>555,489</u>	<u>416,499</u>	<u>7,594</u>	<u>21,090</u>	<u>1,000,672</u>
DEFICIENCY OF RECEIPTS UNDER DISBURSEMENTS	(96,374)	(11,961)	(7,193)	(5,376)	(120,904)
OPERATING TRANSFERS IN		35,138			35,138
NET CHANGE IN CASH BALANCES	(96,374)	23,177	(7,193)	(5,376)	(85,766)
CASH BALANCES - BEGINNING OF YEAR	<u>193,715</u>	<u>33,219</u>	<u>13,462</u>	<u>134,461</u>	<u>374,857</u>
CASH BALANCES - END OF YEAR	<u>\$ 97,341</u>	<u>\$ 56,396</u>	<u>\$ 6,269</u>	<u>\$129,085</u>	<u>\$ 289,091</u>
CASH BASIS FUND BALANCES:					
Restricted for:					
Streets	\$ 97,341				\$ 97,341
Employee benefits		\$ 56,396			56,396
Police purposes			\$ 6,269		6,269
Library purposes				\$129,085	129,085
TOTAL CASH BASIS FUND BALANCES	<u>\$ 97,341</u>	<u>\$ 56,396</u>	<u>\$ 6,269</u>	<u>\$129,085</u>	<u>\$ 289,091</u>

CITY OF SPIRIT LAKE
SCHEDULE OF INDEBTEDNESS
JUNE 30, 2012

	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount of Original Issue</u>
GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS:			
General obligation annual appropriation bonds	8-01-2005	3.60 - 4.35%	\$5,000,000
General obligation urban renewal annual appropriation bonds	7-01-2006	4.10 - 4.40%	4,300,000
General obligation annual appropriation capital loan notes	6-11-2007	4.40%	1,010,000
General obligation annual appropriation bonds	7-26-2007	4.75%	5,390,000
General obligation capital loan notes, Series 2008	10-07-2008	3.75 - 3.95%	325,000
General obligation bonds, Series 2009A	11-24-2009	3.00 - 3.80%	3,135,000
General obligation refunding bonds, Series 2009B	11-24-2009		1,585,000
General obligation bonds, Series 2010A	8-10-2010	2.00 - 3.25%	4,095,000
General obligation bonds, Series 2010B	8-10-2010	1.10 - 3.65%	2,565,000
General obligation bonds, Series 2011	11-17-2011	.50 - 2.45%	1,025,000
General obligation storm sewer improvement bonds	7-15-2011	3.25%	103,000
TOTAL GENERAL OBLIGATION BONDS/NOTES TO BE PAID BY GOVERNMENTAL FUNDS			
GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS:			
General obligation bonds, Series 2007C (sewer)	6-01-2007	4.25 - 4.60%	610,000
General obligation capital loan note (water)	12-07-2006		2,076,000
General obligation water improvement bonds (water)	9-17-2008		4,552,000
General obligation refunding capital loan notes, Series 2012	5-22-2012	.40 - 2.70%	6,300,000
General obligation bonds, Series 2011 (water)	11-17-2011	.85 - 2.45%	590,000
TOTAL GENERAL OBLIGATION BONDS/NOTES INTENDED TO BE PAID BY ENTERPRISE FUNDS			
TOTAL GENERAL OBLIGATION BONDS/NOTES			
REVENUE NOTES:			
Water revenue capital loan notes, Series 2003	5-20-2003		3,501,000
Water revenue refunding capital loan notes, Series 2012	5-22-2012	.50 - 2.20%	2,675,000
TOTAL REVENUES NOTES			

Schedule 2

<u>Final Due Date</u>	<u>Balance Beginning of Year</u>	<u>Issued</u>	<u>Forgiven</u>	<u>Redeemed</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
6-01-2025	\$ 5,000,000			\$ 225,000	\$ 4,775,000	\$ 199,303
6-01-2026	4,300,000				4,300,000	183,261
6-01-2013	195,000			95,000	100,000	8,580
6-01-2027	4,785,000			210,000	4,575,000	227,287
6-01-2014	200,000			65,000	135,000	7,510
6-01-2024	3,135,000			50,000	3,085,000	105,830
	495,000			495,000		7,673
6-01-2023	3,570,000			450,000	3,120,000	93,950
6-01-2024	2,435,000			145,000	2,290,000	58,277
6-01-2022		\$1,025,000			1,025,000	8,988
6-01-2016		103,000	\$ 30,900	14,100	58,000	2,329
	<u>24,115,000</u>	<u>1,128,000</u>	<u>30,900</u>	<u>1,749,100</u>	<u>23,463,000</u>	<u>902,988</u>
6-01-2027	545,000			25,000	520,000	23,885
	1,745,000			1,745,000		51,041
	4,362,000			4,362,000		127,588
6-01-2028		6,300,000		290,000	6,010,000	2,362
6-01-2022		590,000			590,000	5,972
	<u>6,652,000</u>	<u>6,890,000</u>		<u>6,422,000</u>	<u>7,120,000</u>	<u>210,848</u>
	<u>\$30,767,000</u>	<u>\$8,018,000</u>	<u>\$ 30,900</u>	<u>\$8,171,100</u>	<u>\$30,583,000</u>	<u>\$1,113,836</u>
6-01-2023	\$ 2,328,000			\$2,328,000		\$ 68,094
		\$2,675,000		200,000	\$ 2,475,000	880
	<u>\$ 2,328,000</u>	<u>\$2,675,000</u>		<u>\$2,528,000</u>	<u>\$ 2,475,000</u>	<u>\$ 68,974</u>

CITY OF SPIRIT LAKE
BOND AND NOTE MATURITIES
JUNE 30, 2012

General Obligation Bonds/Notes

Year Ending June 30,	Issued 8-1-2005		Issued 7-1-2006		Issued 6-11-2007	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	3.60%	\$ 395,000			4.40%	\$ 100,000
2014	3.70%	365,000				
2015	3.75%	365,000	4.100%	\$ 360,000		
2016	3.80%	365,000	4.100%	360,000		
2017	3.90%	365,000	4.125%	360,000		
2018	4.00%	365,000	4.150%	360,000		
2019	4.05%	365,000	4.200%	360,000		
2020	4.10%	365,000	4.250%	360,000		
2021	4.15%	365,000	4.300%	360,000		
2022	4.20%	365,000	4.350%	360,000		
2023	4.25%	365,000	4.375%	355,000		
2024	4.30%	365,000	4.400%	355,000		
2025	4.35%	365,000	4.400%	355,000		
2026			4.400%	355,000		
2027						
2028						
Total		<u>\$ 4,775,000</u>		<u>\$ 4,300,000</u>		<u>\$ 100,000</u>

General Obligation Bonds/Notes

Year Ending June 30,	Issued 8-10-2010 Series 2010A		Issued 8-10-2010 Series 2010B		Issued 11-17-2011 Series 2011	
	Interest Rate	Amount	Interest Rate	Amount	Interest Rate	Amount
2013	2.00%	\$ 280,000	1.10%	\$ 120,000	0.50%	\$ 100,000
2014	2.00%	290,000	1.45%	230,000	0.65%	150,000
2015	2.00%	290,000	1.75%	235,000	0.85%	75,000
2016	2.50%	290,000	2.00%	245,000	1.15%	80,000
2017	3.00%	290,000	2.35%	250,000	1.40%	80,000
2018	3.00%	280,000	2.55%	260,000	1.65%	105,000
2019	3.00%	280,000	2.75%	150,000	1.85%	105,000
2020	3.00%	280,000	3.00%	155,000	2.10%	95,000
2021	3.00%	280,000	3.15%	160,000	2.30%	115,000
2022	3.25%	280,000	3.30%	155,000	2.45%	120,000
2023	3.25%	280,000	3.45%	160,000		
2024			3.65%	170,000		
2025						
2026						
2027						
2028						
		<u>\$ 3,120,000</u>		<u>\$ 2,290,000</u>		<u>\$ 1,025,000</u>

See Accompanying Independent Auditors' Report

CITY OF SPIRIT LAKE
BOND AND NOTE MATURITIES - cont.
JUNE 30, 2012

General Obligation Bonds/Notes

Issued 7-26-2007			Issued 10-7-2008			Issued 11-24-2009 Series 2009A		
Interest			Interest			Interest		
Rate	Amount		Rate	Amount		Rate	Amount	
4.75%	\$ 225,000		3.75%	\$ 65,000		3.00%	\$ 50,000	
4.75%	235,000		3.95%	70,000		3.00%	100,000	
4.75%	245,000					3.00%	150,000	
4.75%	250,000					3.00%	150,000	
4.75%	265,000					3.00%	300,000	
4.75%	275,000					3.15%	300,000	
4.75%	285,000					3.30%	310,000	
4.75%	300,000					3.40%	325,000	
4.75%	310,000					3.50%	350,000	
4.75%	315,000					3.60%	350,000	
4.75%	350,000					3.70%	350,000	
4.75%	360,000					3.80%	350,000	
4.75%	370,000							
4.75%	390,000							
4.75%	400,000							
<u>\$ 4,575,000</u>			<u>\$ 135,000</u>			<u>\$ 3,085,000</u>		

General Obligation Bonds/Notes

Issued 7-15-2011			Issued 6-1-2007		
Interest			Interest		
Rate	Amount	Subtotal (A)	Rate	Amount	
3.25%	\$ 14,000	\$ 1,349,000	4.25%	\$ 25,000	
3.25%	14,000	1,454,000	4.25%	25,000	
3.25%	15,000	1,735,000	4.25%	25,000	
3.25%	15,000	1,755,000	4.25%	30,000	
		1,910,000	4.25%	30,000	
		1,945,000	4.25%	30,000	
		1,855,000	4.30%	35,000	
		1,880,000	4.35%	35,000	
		1,940,000	4.35%	35,000	
		1,945,000	4.40%	40,000	
		1,860,000	4.40%	40,000	
		1,600,000	4.50%	40,000	
		1,090,000	4.50%	40,000	
		745,000	4.60%	45,000	
		400,000	4.60%	45,000	
<u>\$ 58,000</u>			<u>\$ 23,463,000</u>		
			<u>\$ 520,000</u>		

CITY OF SPIRIT LAKE
BOND AND NOTE MATURITIES - cont.
JUNE 30, 2012

General Obligation Bonds/Notes						
Year Ending June 30,	Issued 5-22-2012 Series 2012		Issued 11-17-2011 Series 2011		Subtotal (B)	General Obligation Total
	Interest Rate	Amount	Interest Rate	Amount		
2013	0.40%	\$ 440,000			\$ 465,000	\$ 1,814,000
2014	0.50%	400,000			425,000	1,879,000
2015	0.60%	355,000	0.85%	\$ 75,000	455,000	2,190,000
2016	0.75%	355,000	1.15%	70,000	455,000	2,210,000
2017	0.95%	360,000	1.40%	70,000	460,000	2,370,000
2018	1.10%	355,000	1.65%	70,000	455,000	2,400,000
2019	1.30%	355,000	1.85%	70,000	460,000	2,315,000
2020	1.50%	360,000	2.10%	80,000	475,000	2,355,000
2021	1.70%	360,000	2.30%	75,000	470,000	2,410,000
2022	2.00%	360,000	2.45%	80,000	480,000	2,425,000
2023	2.10%	620,000			660,000	2,520,000
2024	2.20%	375,000			415,000	2,015,000
2025	2.35%	380,000			420,000	1,510,000
2026	2.50%	385,000			430,000	1,175,000
2027	2.60%	275,000			320,000	720,000
2028	2.70%	275,000			275,000	275,000
		<u>\$ 6,010,000</u>			<u>\$ 590,000</u>	<u>\$ 7,120,000 \$ 30,583,000</u>

Revenue Note Issued 5-22-2012 Series 2012		
Year Ending June 30,	Interest Rate	Amount
2013	0.50%	\$ 215,000
2014	0.50%	210,000
2015	1.00%	245,000
2016	1.00%	215,000
2017	1.15%	215,000
2018	1.35%	220,000
2019	1.55%	225,000
2020	1.70%	225,000
2021	1.95%	230,000
2022	2.10%	235,000
2023	2.20%	240,000
		<u>\$ 2,475,000</u>

Notes to Schedule 3:

All general obligation bonds/notes will be paid from the debt service fund.

Any payments from other funds will be recorded as transfers to the debt service fund.

(A) Total general obligation bond/notes to be paid by governmental funds.

(B) Total general obligation bond/notes intended to be paid by enterprise funds.

CITY OF SPIRIT LAKE
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -
ALL GOVERNMENTAL FUNDS
FOR THE LAST NINE YEARS

	Cash Basis			
	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
RECEIPTS:				
Property tax	\$ 1,999,309	\$ 1,950,264	\$ 1,930,557	\$ 1,813,026
Tax increment financing	2,464,146	2,415,385	2,337,003	2,030,722
Other city taxes	1,086,892	965,362	875,002	970,243
Licenses and permits	30,701	27,898	27,208	20,078
Use of money and property	12,804	22,757	29,311	36,480
Intergovernmental	601,562	527,835	501,736	444,811
Charges for services	18,160	22,325	31,933	27,477
Miscellaneous	<u>133,612</u>	<u>209,964</u>	<u>130,984</u>	<u>222,450</u>
 TOTAL RECEIPTS	 <u>\$ 6,347,186</u>	 <u>\$ 6,141,790</u>	 <u>\$ 5,863,734</u>	 <u>\$ 5,565,287</u>
 DISBURSEMENTS:				
Public safety	\$ 1,108,913	\$ 1,014,802	\$ 1,072,431	\$ 984,546
Public works	977,962	866,225	926,717	873,090
Health and social services	31,916	31,666		
Culture and recreation	573,516	512,734	568,185	538,887
Community and economic development	526,226	110,250	43,381	5,870
General government	369,424	356,029	485,849	475,301
Debt service	9,337,774	9,556,100	4,438,312	2,685,985
Capital projects	<u>928,559</u>	<u>626,106</u>	<u>3,742,597</u>	<u>1,150,182</u>
 TOTAL DISBURSEMENTS	 <u>\$13,854,290</u>	 <u>\$13,073,912</u>	 <u>\$11,277,472</u>	 <u>\$ 6,713,861</u>

Cash Basis				
<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
\$ 1,284,869	\$ 1,463,280	\$ 1,122,643	\$ 847,510	\$ 1,141,619
2,839,656	1,878,437	2,166,498	1,727,722	1,392,873
965,017	993,763	824,994	875,799	802,630
54,162	90,771	131,656	105,396	99,064
122,085	146,201	162,288	48,973	58,497
732,578	739,507	453,555	901,908	1,231,609
13,448	88,022	15,668	18,413	17,015
<u>168,498</u>	<u>283,654</u>	<u>206,945</u>	<u>473,719</u>	<u>240,584</u>
<u>\$ 6,180,313</u>	<u>\$ 5,683,635</u>	<u>\$ 5,084,247</u>	<u>\$ 4,999,440</u>	<u>\$ 4,983,891</u>
\$ 850,649	\$ 951,592	\$ 854,618	\$ 789,072	\$ 972,576
743,808	1,696,476	849,778	714,350	694,669
538,536	585,403	663,020	366,025	355,924
51,115	225,124	345,995	325,110	611,664
422,408	495,719	451,180	420,871	416,553
2,248,864	3,116,251	1,879,818	4,921,804	1,570,466
<u>3,080,405</u>	<u>6,914,420</u>	<u>2,995,488</u>	<u>3,436,656</u>	<u>4,156,452</u>
<u>\$ 7,935,785</u>	<u>\$13,984,985</u>	<u>\$ 8,039,897</u>	<u>\$10,973,888</u>	<u>\$ 8,778,304</u>

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INDEPENDENT AUDITORS' REPORT ON
INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and
Members of the City Council
City of Spirit Lake
Spirit Lake, IA 51360

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spirit Lake, Iowa as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated January 3, 2013. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

The management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Spirit Lake's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in Part I of the accompanying Schedule of Findings as Item I-A-12 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Spirit Lake's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Spirit Lake, and other parties to whom the City of Spirit Lake may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spirit Lake during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Winter, Shaw & Co., LLP

January 3, 2013

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Part I: Findings Related to the Financial Statements

Internal Control Deficiency:

I-A-12 Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. We noted, because of the limited number of employees, there are times when employees are performing duties which are not compatible.

Recommendation - We realize that with a limited number of office employees segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - The City will continue to review its control procedures.

Conclusion - Response accepted.

Instances of Non-Compliance:

No findings were noted.

CITY OF SPIRIT LAKE
SCHEDULE OF FINDINGS - Continued
FOR THE YEAR ENDED JUNE 30, 2012

Part II: Other Findings Related to Required Statutory Reporting

- II-A-12 Certified Budget - Disbursements for the year ended June 30, 2012 did not exceed budgeted amounts.
- II-B-12 Questionable Expenditures - We noted no expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-12 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 Business Transactions - The City paid Spirit Lake Mainsail (Mainsail) \$45,000 during the year ended June 30, 2012. Mayor Blain Andera is the executive director of Mainsail. This does not appear to represent a conflict of interest since the mayor is only an employee of Mainsail and does not have a vote on the Mainsail funding.
- No other related party transactions were noted.
- II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-12 Revenue Bonds/Notes - No non-compliance with revenue note provisions were noted.
- II-H-12 Deposits and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.